



## GAMA-An Association of Appliance & Equipment Manufacturers

2107 Wilson Boulevard • Suite 600 • Arlington, VA 22201 • Phone: (703) 525-7060 • Fax: (703) 525-6790 • [www.gamanet.org](http://www.gamanet.org)

### Product Divisions and Groups

Burner  
Controls  
Corrugated  
Stainless Steel  
Tubing  
Direct Fired  
Heater  
Direct Heating  
Food Service  
Equipment  
Fuel Cell  
Furnace  
Gas Air  
Conditioning  
Gas Appliance  
Connector  
Gas Detector  
Gas Equipment  
& Service  
Gas Venting  
Products  
General Products  
Hydronics  
Institute  
Industrial Forced-  
Air Heating  
Infrared  
Motor & Blower  
Power  
Generation  
Relief Valve  
Vent Free Gas  
Products  
Water Heater

January 13, 2006

Federal Trade Commission  
Office of the Secretary  
Room H-135 (Annex O)  
600 Pennsylvania Avenue, N.W.  
Washington D.C. 20580

Re: Energy Labeling, Project No. R511994

Dear Sir or Madam:

The Gas Appliance Manufacturers Association (GAMA) is pleased to comment on the questions and issues the Federal Trade Commission (FTC) has posed in its request for comment (November 2, 2006 Federal Register) on the effectiveness of the FTC's Appliance Labeling Rule. GAMA is a national trade association whose membership includes virtually all domestic manufacturers of residential furnaces, boilers and water heaters covered by the FTC's current Rule. GAMA sponsors and manages energy efficiency certification programs for these products, including publication of its Consumer's Directory of Certified Efficiency Ratings that provides the public a great deal of information about the energy performance of listed product models. GAMA regularly provides information to the FTC on behalf of the participants in its certification programs to satisfy information reporting requirements the FTC's Appliance Labeling Rule has imposed on manufacturers. The FTC website provides information to the public about the energy performance of residential furnaces, boilers and water heaters via links to the GAMA website, where the GAMA efficiency certification directory is posted.

In its Federal Register notice, the FTC correctly notes that some products generally do not appear in showrooms where consumers can compare labels on competing models. This is certainly true of residential furnaces and boilers. Typically, the first time a consumer sees the label on a furnace or boiler is after the product has been installed in the consumer's home. In its Federal Register notice, the FTC recalls its earlier observation back in 1979 that "few consumers have an opportunity to see a display model before the furnace is installed." What was true then remains true today, and the logical conclusion is that labeling of furnaces and boilers does not affect consumers' purchasing decisions and, therefore, should not be required.

GAMA has been collecting residential furnace shipment data by efficiency level for several years, and has recently begun to do the same for residential boilers. In 2004, 32% of residential furnace shipments nationwide were high efficiency "condensing" furnaces having AFUE ratings of 90% or higher, and the market penetration of condensing furnaces in most northern states was considerably higher than that. Preliminary indications are that the national figure climbed to 34% in 2005. So consumers are responding to higher energy prices and buying higher efficiency products when it is in their economic interest to do so, despite the irrelevance of product efficiency labels.

Consumers are learning about the availability and benefits of higher efficiency products, not from labels on the products, but from advertising and promotions by manufacturers, contractors, dealers, utilities and federal and state government agencies. Very often, they will learn about higher efficiency options by going on the internet and visiting the websites of manufacturers, the FTC, the EPA Energy Star program, or GAMA. Literature they receive from their local utility is another way consumers find out about the benefits of purchasing higher efficiency products.

There are federal Energy Star programs for residential furnaces and boilers, and it is known that utility rebates and other incentive programs do encourage the purchase of those Energy Star listed products. However, the Energy Star label on the product has no more effect on the consumer's purchasing decision than does the FTC's EnergyGuide label. By the time the consumer sees the Energy Star label, he or she has already purchased the equipment. It is more effective that the Energy Star information is provided to the consumer in other ways, i.e. via advertising and promotions by manufacturers, dealers, utilities, government agencies, etc.

GAMA and the manufacturers that participate in GAMA's efficiency certification programs for residential furnaces and boilers certainly do want distributors, dealers, consumers and the general public to know about the manufacturers' full model offerings. As noted above, GAMA publishes an on-line directory of furnace and boiler energy performance information, and the FTC website links visitors seeking such information to the GAMA website. Use of the GAMA efficiency certification directory is an effective way to convey this information as it relates to product energy performance. Today, the FTC regulations allow manufacturers to use the GAMA directory in lieu of fact sheets to provide this information to dealers and their customers. GAMA supports the continuation of this practice; manufacturers should, however, be allowed to provide the GAMA directory to their dealers in electronic format, especially since the GAMA directory is now constantly being updated.

Consumers sometimes purchase replacement residential water heaters via a visit to a retail outlet such as Lowe's, Home Depot or Sears. As often as not, however, they purchase them by telephoning a plumber or contractor, often with a sense of urgency when they have discovered that their water heater is leaking water. In this situation, the same futility of labeling furnaces and boilers applies to water heaters. The decision on which water heater model to buy is made on the telephone without any opportunity to compare EnergyGuide labels. Wired consumers could, however, go online to the FTC website or to the GAMA website to explore options. The FTC should, therefore, focus on alternatives to product labeling for conveying information to consumers about water heater energy performance.

At the present time, there is another reason why labeling of storage water heaters makes little sense as a way to encourage the purchase of more efficient products. The revised federal minimum energy efficiency requirements for residential storage water heaters that

Federal Trade Commission  
January 13, 2006  
Page 3

took effect on January 20, 2004, have left little, if any room, for distinguishing one storage water model from another on the basis of Energy Factor or Estimated Annual Cost of Operation. When the "Range of Comparability" for a product narrows to a minimum, the rationale for product labeling as a way to encourage energy savings disappears.

In its Federal Register notice, the FTC mentions an American Council for an Energy Efficient Economy (ACEEE) report released in 2002 recommending that the FTC replace its current "continuous" label design with a "categorical" type design. GAMA participated in some of the meetings of interested parties that ACEEE hosted in developing this report. At that time, GAMA expressed concern about proposed "categorical" label options, such as a label employing one through four stars, for several reasons. Our principal concern was that consumers could mistakenly interpret the number of stars as an overall product quality rating. We also noted that the efficiency levels selected for each additional star could be contentious, and that such a categorical labeling scheme could stifle innovation by discouraging incremental efficiency improvements that would not be sufficient to qualify the product to receive an additional star. We still have these concerns about categorical style labeling. It should also be noted that a categorical labeling scheme, especially one employing stars, could detract from the effectiveness of the Energy Star label by confusing consumers.

GAMA told ACEEE at that time that we would not support a fundamental change in the design or content of the EnergyGuide label unless such change is demonstrably in the public interest, which, in our opinion, has still not been established. We expressed a strong preference for maintaining the basic EnergyGuide label design that was current then and still is, but at the same time support for exploring ways to make the EnergyGuide label less "busy" in appearance. To the extent that efficiency labeling of products is deemed to materially assist consumers in making purchasing decisions, this remains our view.

In summary, GAMA and the industries we represent eagerly support the education of consumers about the availability and benefits of high efficiency products. However, relying on product labels to provide efficiency information to consumers is ineffective for furnaces, boilers and water heaters.

Respectfully submitted,

Joseph M. Mattingly  
Vice President, Secretary  
and General Counsel